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DRUG STORE NEWS

Vol. 4 No. 24/Incorporating CHAIN STORE AGE Drug Magazine Published by Lebhar-Friedman Inc./November 15, 1982

Food/drug units planned

Sav-On targets central Calif. with 1st combos

FRESNO, Calif.—Sav-On's long-awaited foray into food/drug combos will be launched in the agriculture-rich San Joaquin Valley in 1983.

According to industry sources, the combination stores will be 48,000 sq. ft. overall, with 60% of the space devoted to food and 40% to drug. They will be located in the following cities:

—**Merced** (50 miles north of Fresno). Construction will begin in two months, with completion scheduled for June 1983.

—**Porterville** (40 miles southeast of Fresno). Construction will begin in six months.

—**Fresno** (200 miles north of Los Angeles). The site at First and Tulare is set. The other locations (Cedar and Dakota and one in the northwest section of Fresno) have been acquired subject to zoning. If the rezoning is not approved, then Sav-On will pull out of First and Tulare because the chain insists on having a minimum of three locations in Fresno.

In addition, Sav-On has made a number of offers for a 28-acre tract in Clovis, a town of 33,000 residents, contiguous to Fresno on the east. However, the owner of the property would not sell. Sav-On is still looking for a location in Clovis.

Sav-On's move into food/drug combos comes as no surprise to West Coast drug chain people. When Jewel acquired Sav-On in November 1980, the proxy statement noted that "the combined company will benefit from opportunities for development of drug

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Chains, vendors get ready for F.D.A. packaging rules

By Mary McKiernan

NEW YORK—Drug retailers and manufacturers are gearing up for the new F.D.A. tamper-resistant packaging regulations for OTC drug products.

At Walgreens, for example, where the decision to withdraw Tylenol from store shelves was made within hours of the Oct. 1 contamination announcement, lab engineers are now studying all packaging possibilities in anticipation of the new regulations.

According to a chain spokesman, many of the 125 varieties of OTC private-label products have already some sort of protective seal.

At Peoples Drug Stores, where over 600 private-label products represent about 5% of all sales, steps are being taken to package "anything that's ingestable in tamper-resistant packaging," according to Joseph Pollard, vp of advertising and public relations.

"We're working with our private-label manufacturers, including our own B. H. Kreuger Inc., in New Jersey, which produces primarily H&BA items." Pollard said additional packaging will definitely add to the cost of private-label products, but probably only pennies per package.

At presstime, the Food and Drug Administration was awaiting clearance of the regulations by the Office of Management and Budget. "Regulations are pending now which cover all OTC drug products and define tamper-resistant packaging for each category," said Christopher Smith, an F.D.A. spokesman.

Smith said capsules will be the first dosage form to get new packaging rules and conformance may be required within 90 days of the regulations' passage.

Other dosage forms and drug products are also included in the pending regulations, according to Smith, but implementation dates have not yet been established.

Smith explained that the new regulations, drafted in close co-

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FREE!
BOT OF
DRUG FAIR
ASPIRIN FREE
PAIN RELIEVER
RETURN YOUR TYLENOL CAPSULES FOR FULL REFUND PLUS GET A BOT OF DRUG FAIR PAIN RELIEVER AT NO CHARGE

A New Jersey Drug Fair posted this sign to encourage customers to turn in Tylenol bottles.

Revco beefs up hearing aid venture with 20 more depts.

WINSTON-SALEM, N.C.—Revco Drug Stores will open leased hearing aid departments in another 20 stores next year, reinforcing its commitment to one of the chain drug store industry's newest, and largely untapped, health service markets.

The enclosed 170-sq.-ft. hearing aid centers will be installed in Revco stores in seven southeastern states: Virginia, North Carolina, South Carolina, Tennessee, Georgia, Alabama and Florida. The Incus Corp., which installed leased hearing aid departments in three North Carolina Revco stores more than a year ago, will own and operate the 20 new centers under terms of its contract with Revco.

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NACDS tables voting on annual trade show

COLORADO SPRINGS—Endorsement of an annual merchandise trade show sponsored by the National Association of Chain Drug Stores was postponed by the organization's board of directors at their regular meeting here last month.

NACDS president Bob Bolger said board members put off any action on the proposed trade show, pending receipt of more detailed information from the organization's staff.

"This is still an idea that, at this point, is only under discussion," Bolger told *Drug Store News*. "We are looking into the possibility of launching a trade show, but want to know what ramifications it might have for our members, as well as other trade organizations," he said.

An NACDS-sponsored trade show would augment annual shows now sponsored by the Affiliated and Associated Drug Store organizations, which specialize in general merchandise and other front end sundry products, he said.

Besides the trade show, NACDS directors are also considering whether to combine two or more of the organization's various conferences into a single event. "An OTC and pharmaceutical conference, a merchandising and cosmetics conference or an MIS and SCOPE conference may be what we'll see in the future," Bolger said.

Eventually, an NACDS trade show for nonsundry merchandise categories such as cosmetics, OTC, and health and beauty aids may be held in conjunction with several of the annual conferences, he added.

"That way, the smaller chains won't have their key people out of the office as frequently as they do now," he said.

Fisher tells ex-prez: 'No Jote's'

CLEVELAND—John Fazio, the former president and ceo of Fisher Foods Inc., is preparing to challenge his old company with a low-margin drug store.

Fisher has already entered the low-margin drug store arena in Cleveland with its two Jax units, and several Jax stores are on the drawing board.

The food and drug retailer is not taking the competition from Fazio lightly. Fisher Foods has filed suit against Fazio, alleging that he broke his consulting agreement with the chain not to operate any business similar to Fisher Foods within 50 miles of a Fisher unit until Jan. 23, 1988.

Fisher Foods' suit is asking the courts to prevent Fazio from opening his 38,000-sq.-ft. store, dubbed "Jote's," and impose unspecified "damages." The store, in the Lakeshore Shopping Center in Lake County, is scheduled to open Dec. 1.

Fazio's attorney, Stanley Fisher, countered, "The consulting agreement was terminated in 1981 by Fisher at his [Fazio's] request. It is null and void. The noncompetitive agreement was limited to supermarkets, warehouses and manufacturing. Those are the businesses Fisher was in in 1979."

A spokesman for Fisher Foods, which operates 55 Fazio supermarkets in the Midwest, declined to comment on the case because of the pending lawsuit.

According to John Fazio's lawyer, Fisher Foods was never in the drug store business in Cleveland until the first Jax unit in the Rocky River suburb

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SupeRx buys Gray's Cincinnati stores

CINCINNATI—High advertising costs, a "very poor" union contract and the lack of expansion opportunities has prompted Gray Drug Fair to sell 11 Cincinnati-area Gray stores to SupeRx.

"We were a poor fourth in that market," Gray Drug Fair president Al Towle told the *Drug Store News*, and "there was really little opportunity for us to expand." The market's domination by SupeRx, Walgreens and Rite Aid (under the Lomark banner) all but eliminated Gray's ability to grow, he said, "making this a very costly market for us."

Under the transaction, SupeRx acquired five Gray stores in greater Cincinnati for an undisclosed amount of cash, as well as stores in Milford, Ohio, and Florence, Newport and Erlanger, Ky.

The purchase boosts SupeRx's store count in the Cincinnati SMSA to 42, and its total store count to 556.

— News in brief —

Hook sells 5 of 7 test food stores

INDIANAPOLIS—Hook Drug has sold five of the seven Quik-Way Convenient Food stores that the chain opened during 1979-80 as a test.

"It became clear that this area of nonhealth care retailing held no future for the continuing operations of the Hook Drug Company," said J. Douglas Reeves, chairman of the board and president of the 281-store chain.

The stores were sold to Banquet Ice Cream and Milk Co. of Indianapolis for an undisclosed sum. Banquet, in turn, owns E-Z Stop Inc., which operates convenience stores.

According to a company announcement, "There will be no material effect upon the financial position of the company as a result of this transaction. The remaining two Quik-Ways will be sold or closed by the end of the year."

Imasco to offer $1M in common shares

MONTREAL—Imasco Limited, parent company of Shoppers Drug Mart stores in the United States and Canada, has announced its intention to file a preliminary prospectus for a public offering in Canada of approximately $100 million of common shares.

The proceeds will be used to finance the corporations future acquisitions and investments, Imasco said. A company spokesman said no decision has yet been made on how the acquisition dollars will be distributed.

Imasco directors also approved a 2 for 1 split of the company's common stock earlier this month.

Perry opens largest combo

ROLLING MEADOWS, Ill.—Perry Drug Stores has opened its largest combination drug and auto-home center store—a 24,800-sq.-ft. unit in this northwestern Chicago suburb.

It is the Pontiac, Mich.-based chain's 125th retail unit and 65th combination store. This unit, which opened on Oct. 14, is in keeping with Perry's plan to make all new and remodeled stores combination auto-home centers and drug stores.

In addition to automotive replacement parts, prescriptions and other traditional drug store lines, this store carries hardware, sporting goods, pets and pet supplies, electrical products and plumbing supplies, according to a chain spokesman.

Whitticom joins Carls as merchandising vp

ROME, N.Y.—Jim Whitticom has left his job as divisional merchandise manager for Walgreens to become senior vp of merchandising for Carls drug, which is headquartered here. Whitticom fills a position that has been vacant since Don Cardelle left last February.

Drixoral to be converted to OTC status

NEW YORK—Drixoral, a leading prescription cold tablet with 22% of the market, will change from Rx to OTC status.

As an OTC drug, the product is projected to capture 12% of the much larger adult cold tablet market. According to Shering, this marks the largest conversion of a product to OTC status in pharmaceutical history.

Earlier conversions include Tinactin, Afrin, and Chlor-trimeton.

Packaging is redesigned, and each carton contains 10 sustained action tablets which are individually sealed in tamper-resistant blister packs.

Arbor enlarges, moves its headquarters

TROY, Mich.—The 28-store Arbor Drugs Inc. has moved into a new 72,000-sq.-ft. warehouse and office complex in Troy. Arbor, which operates stores averaging 10,000 sq. ft. to 12,000 sq. ft. in southeastern Michigan, was formerly located at a smaller facility in Dearborn, Mich.

Winner chosen in Nostalgia Quiz #12

Michael Mattes of Walgreens in Van Nuys, Calif., is the winner of $100 in *Drug Store News'* 12th Nostalgia Quiz. The correct answer was Thrift and J. C. Penney. Nostalgia Quiz #15 can be found on page 64 of this issue.

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On the computer fast track, checkout scanners are next

LAS VEGAS, Nev.—The relentless pressure for more productivity and tighter controls has opened the door to the third phase of the drug wholesaler's evolution in the computer age: electronic checkout scanners.

The first two phases—electronic order entry and mechanical/automated warehouses—are proceeding at full speed.

Attendees at the National Wholesale Druggists' Association convention could not agree on a timetable for scanners. Estimates ranged from two to 10 years. However, most believe that scanning (now being tested with five chains through the auspices of a Chicago-based marketing research firm) will become an industrywide reality when the following happens:

- Equipment costs are reduced from the current $10,000 per checkstand (in supermarkets). Some observers say the go-ahead will come when the cost drops to $5,000 or $6,000.

Sidney Dworkin, president and ceo of Revco, told *Drug Store News* that store volume and inflation will be the determinant factors. "There are no limits to technology," he said, "so it is conceivable that if the price of scanners goes down to $2,000 or $3,000 per unit, they might be cost-effective for stores doing $1 million. But if inflation rises, it may necessitate $2 million in sales."

- Manufacturers increase the number of products on Universal Product Code (UPC) from the present 40% to 50% of total inventory to the supermarket level of 80%.
- Manufacturers miniaturize the UPC code to fit the smallest size packages.

Bob Bolger, president of NACDS, told *Drug Store News* that "the scan equipment needed will be different than that used in supermarkets because drug stores are a different type of operation, with fewer checkstands and less volume."

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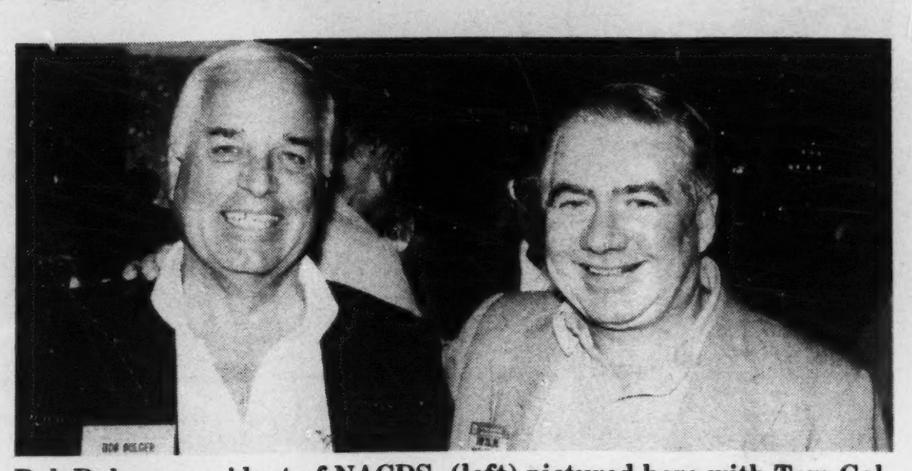

Bob Bolger, president of NACDS, (left) pictured here with Tom Collins of SmithKline & French, feels that "the scan equipment needed will be different than that used in supermarkets because drug stores are a different type of operation, with fewer checkstands and less volume."

Pay 'n Save founder Monte Bean dies at 83

SEATTLE—Monte L. Bean, who rose from a retail clerk at the age of 16 to found one of the nation's largest drug chains—the Pay 'n Save Corporation—died Oct. 16 at the age of 83.

Born on Jan. 23, 1899, in Richfield, Utah, Bean began his retail career as a clerk in the Cameron Mercantile Co., a dry goods store in Marysvale, Utah.

Bean served as a marine in the final months of World War I, then returned to study at the Latter Day Saints Business College in Salt Lake City.

He was hired as a bookkeeper for Skaggs Cash Stores just before graduation, and

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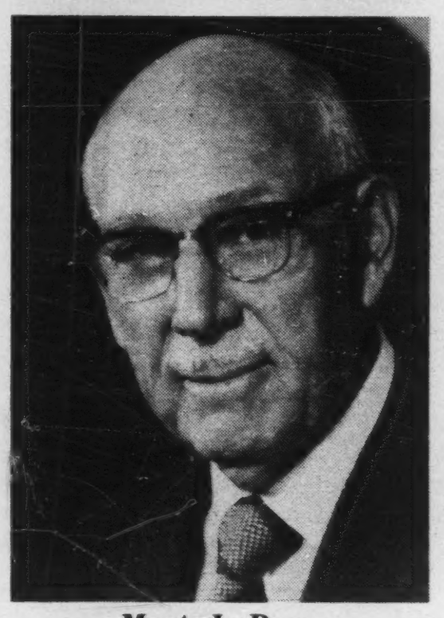


Monte L. Bean

Food program expanded

More Longs units go private label

WALNUT CREEK, Calif.—Longs is expanding the Kitchen Korner private-label food program to its southern California stores.

The program started in the northern division (northern California, Nevada, and Bend, Ore.), where six food items were tested for six months.

The items: 32-oz. mayonnaise, 18-oz. preserves in four flavors and 18-oz. peanut butter.

The sizes selected are best sellers in their category—except for strawberry preserves. The best seller nationally is the 32-oz. size. However, Longs decided on the 18 oz. because of the price points. The rationale: the unit price of around $1 for the 18 oz. is more acceptable to consumers than the $2 price range for 32 oz.

Longs is considering additional items in the food category.

The decisive factor as to whether to add an item to the Kitchen Korner line is the price spread between national brands and loss-leaders, as well as the rate of movement.

What triggered Longs' entry into private-label food is the surge of generic food sales in supermarkets. For example, Lucky stores in Longs' marketing areas have done an exceptional job in gaining consumer acceptance of its generic line.

Thus, Longs' execs reasoned that instead of taking on a generic line where not all items have quality equivalent to national brands, why not a private label where the quality can be more closely controlled so that it does match national brands.

In addition, Longs felt that with truckload buys, and without having to indirectly pay for the national brand advertising, it could better its profit margins and still offer consumers an exceptional value.

The Kitchen Korner private label is a spin-off of Longs' Kitchen Korner mini-food departments, now being tested in seven stores. The department contains some 300 staple food items.

In all of its stores (except the seven Kitchen Korners) food is not homed, but is displayed on in-and-out ends as well as on 4-ft. square tables in the center aisle of the store. Longs displays its hottest food values on the front ends to impact a store-wide low-price image as soon as the customer enters the store.

Food and snacks account for 8% of Longs' total volume. Considering that the stores average $6.5 million in sales, that equates to a lot of food tonnage.

Pay Less NW adds Nev. store to its Idaho market

WILSONVILLE, Ore.—Pay Less NW returns to Nevada in the spring of 1983 when it opens a 29,684 sq. ft., store in the Sun Rise Shopping Center in Elko. This will be Pay Less' 148th store.

In 1981, after acquiring the Pay Less Oakland chain, Pay Less NW sold the two Reno stores which had been operated by Pay Less Oakland to Longs Drugs. This removed Pay Less from the Nevada market.

A Pay Less NW executive explained why the chain had decided to re-enter Nevada: "We don't operate by state, but by market—and Elko is in northern Nevada, near the Idaho border. The store will be part of the Idaho division, which now consists of stores in Boise, Twin Falls and Pocatello. We have no plans for returning to the Reno market."

Elko store

The Elko store will be the third of the new down-sized Pay Less prototype which reduces selling space by 3,000 sq. ft. In order to do that, Pay Less NW made the following changes:

- The middle and rear gondolas were shortened. The middle gondola dropped from 32 ft. to 28 ft., and the rear from 32 ft. to 24 ft. The front row remains at 24 ft. Reducing the length of the gondolas necessitated eliminating slower-moving items from every department.
- The height of gondolas for hard lines (auto, hardware and sporting goods) was raised as well as the height of perimeter gondolas from 60-66 in. to 72 in.
- The back space in the backroom was cut by 10%. "We were able to do this," says Ron Schiff, senior vp-operations, "because our distribution center has matured. With two deliveries a week, we have quick turnaround time."

America's health and fitness phenomenon *has made chain drug stores a natural and convenient outlet for nutrition centers.*

The natural foods market: profile in profits

Nutrition centers. The phrase is so hot it sizzles. Few categories have caused as much excitement, enthusiasm—and action—among retailers. Chains from New York to San Francisco are adding these departments, investing from $10,000 to $45,000 to get started and reaping annual volumes as high as $400,000 per store.

Drug stores, supermarkets and mass merchandisers are not the only retailers to capitalize on the fitness and nutrition trend sweeping the country. The number of health food stores, including 1,000 General Nutrition Centers, has mushroomed to 8,400 compared to only 1,000 stores 12 years ago. The number of nutrition centers in supermarkets has ballooned over 30% in the first half of 1982 alone, to 1,100 from about 850. Last year supermarket nutrition centers reported sales of $300 million, a 12.5% share of the $2.4 billion market, according to *Natural Foods Merchandiser.*

The commitment by supermarkets and a growing number of drug stores to nutrition centers is so strong, in fact, that natural foods stores are bracing themselves for a tough battle ahead. Already, more and more health food distributors and manufacturers are wooing major drug store and food chains for the opportunity to put their once-alternative products into mass distribution.

The health food store specialists may have experience, expertise and service in their favor, but drug stores have the health care image, in-store pharmacists, buying clout and bigger budgets. Expertise and experience will follow in due time.

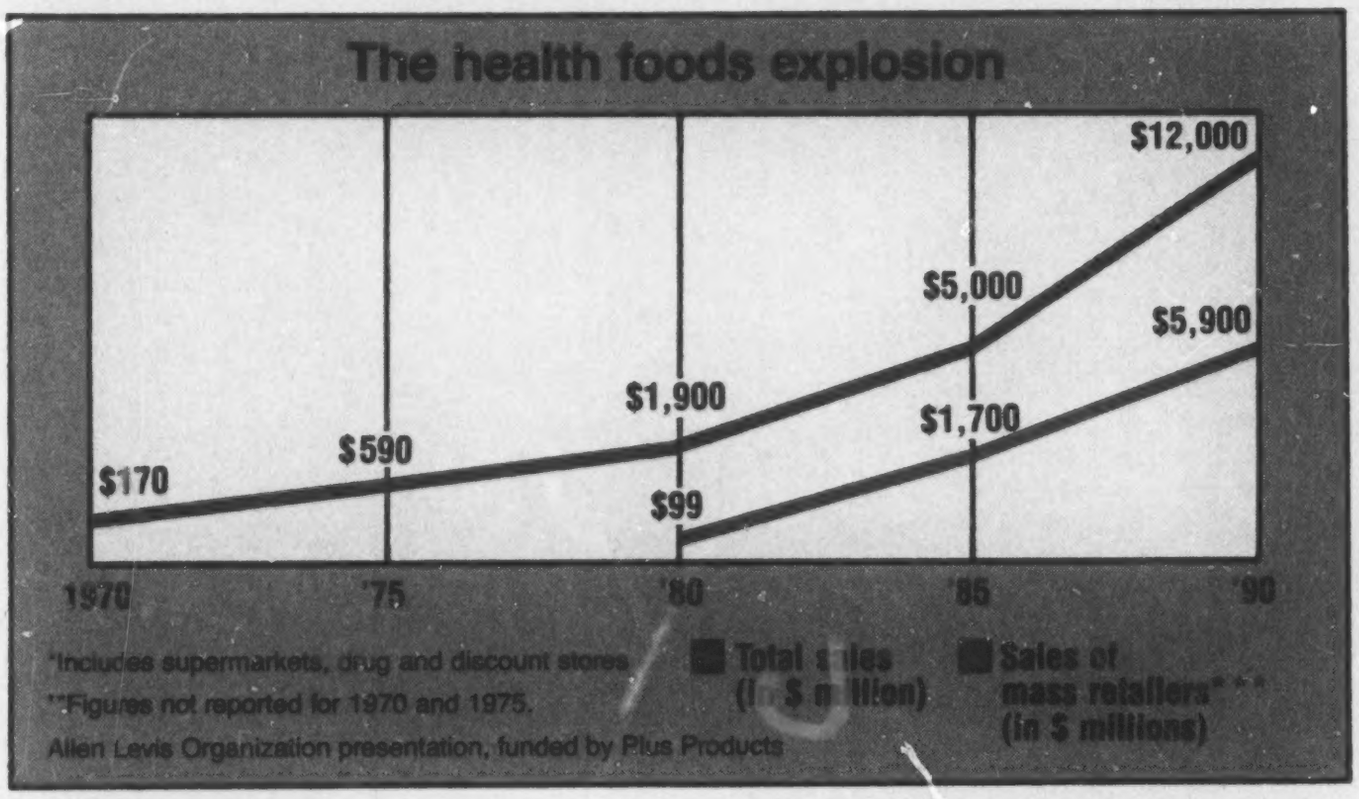
Everyone's getting into the act. SupeRx has expanded nutrition centers in about 150 of its stores, many of them staffed with a health foods expert who can answer consumer inquiries and promote the department. The chain's three nutrition center models range from 80 to 130 running feet.

Longs, one of the first drug store chains to pick up on the health foods trend, operates nutrition centers ranging from 16 ft. to 80 ft. in dozens of its stores. Several Longs stores also carry bulk health foods. Snyder's Drug Stores has installed 8 ft. to 30 ft. "Fitness Stops" in its 48 corporate-owned stores, as well as many of its franchise stores. Genovese Drug operates six nutrition centers, ranging from 30 ft. to 48 ft. Eckerd, Dart, Fay's, Shoppers Drug Mart and other chains are also testing the nutrition center concept in a limited number of stores.

The bulk of merchandise stocked by drug store nutrition centers comes from wholesalers and distributors who, because of their buying capabilities and expertise, can assume many of the inventory control functions so

important in this category. Average gross margins on most health food products, including vitamins and nutritional supplements, range from 30% to 50%.

Why the sudden interest in natural foods? Among other things, drug store retailers have discovered that the health foods shopper is no longer a rare bird. Health foods are a logical extension of a drug store's traditional health care image, as well as the jogging, vitamins and fitness phenomena.



Drug stores, which account for 31% of all vitamin sales nationwide, have found that natural vitamins and supplements can have a profound impact on total vitamin department sales.

And then there are the profits, which at 30% to 50%, can do wonders for the bottom line. Annual inventory turns average between seven and eight in most stores, but can run as high as 13.

Despite these mouth-watering incentives, setting up a nutrition center is truly a new game with all sorts of new—and sometimes confusing—rules. Novice health food retailers face a variety of challenges, from finding the right product mix to hiring the right people to manage the department. There are also ethical, legal, even sanitary considerations in developing a health center. Here's a collection of information designed to give retailers a running jump:

• **What goes into a nutrition center?** It's rough navigating through a sea of products all claiming to be "natural" or "nutritional." Can candy be natural? Maybe. Is gourmet food nutritional? Sometimes. Should you include low-salt and sugar-free products? Some retailers do, some don't. As long as "natural" and "nutritional" are catch-all words, there will never be any clear-cut answers. For the record, the National Nutritional Foods Association (NNFA) defines nutritional products as those containing, at the very least, no added chemical preservatives. Ideally, according to NNFA, they should have no sugar or salt, either. Some chains do integrate low-sodium and sugar-free canned fruits and vegetables into nutrition centers, but most agree that diet products like Figurines or Carnation instant breakfast drinks do not belong.

• **What about "natural" cosmetics?** Purists say it's not natural if it contains any of the following synthetic ingredients: mineral oil, sodium lauryl sulfate, TEA, benzoic acid or sodium benzoate, butyl paraben, methyl paraben and stearates, to name a few.

• **Obeying the law:** Nutritionists sometimes joke about spending half their time keeping two steps ahead of the American Medical Association and the police. There is some truth to that. A health center employee may not prescribe or diagnose, even if he or she is a licensed nutritionist.

This poses a tricky problem. What if a customer complains of headaches and asks your health center manager, "What should I take?" According to Bob Grenoble, executive director of NNFA, the answer must be worded *very* carefully: "You can explain what the product is traditionally used for. You can refer the customer to the shelf area where the product is. We also recommend that retailers refer customers to books and literature. There's a very fine line between prescribing and explaining."

Grenoble notes that Food and Drug Administration agents frequently inspect health food stores, posing as customers. They complain of various ailments, request advice, and if retailers "prescribe," they site them for an F.D.A. violation.

• **Finding the right people:** "Here I was searching high and low for someone to run my nutrition center when all I had to do was look in my own backyard," says one retailer, describing his search for qualified health care managers. "A woman who'd worked for me eight years is heavily 'into' health foods and nutrition. She was perfect for the job." Some chains use other tactics to find help, like luring clerks away from health food specialty stores, which usually pay considerably less than the drug store salary scale.

Once you've got the people, you can train them in several ways. One cost-free method is arranging seminars with manufacturers, many of which do offer this service. If it's in your budget, you can send your staffers for a crash course in nutrition at a local adult education center.

• **The National Nutritional Foods Association:** Based in Oceanside, Calif., the NNFA is the major organization of the health foods industry. Although drug stores cannot join (70% of a store's product mix must be health foods to qualify), they may attend its annual conventions.

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